

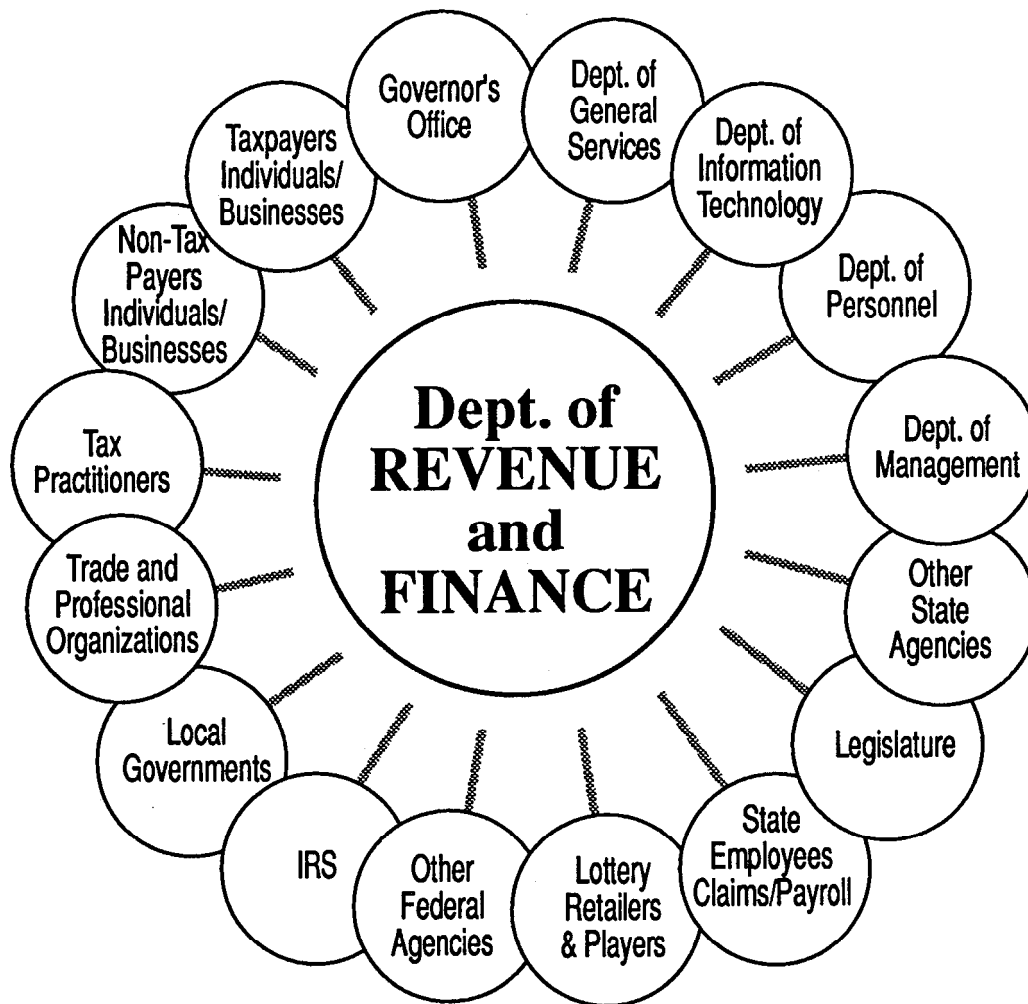
Iowa Department of Revenue and Finance

Budget Hearing for FY 2002

Administration and Regulation
Appropriations Sub-committee

January 23, 2001

Department Customers



Iowa Department of Revenue and Finance

Our Goals

- ◆ Improved voluntary compliance
- ◆ Enhanced statewide debt collection
- ◆ Effective accounting and payroll systems
- ◆ Program results subject to performance measurement
- ◆ Improved tax processing/deposit operations
- ◆ Providing an environment for employee development
- ◆ Effective use of technology

Budget Request for FY 2002 and FY 2003

Total General Fund Request		
<u>FY2001</u>	<u>FY 2002</u>	<u>FY 2003</u>
\$29,553,046	\$29,553,046	\$29,553,046
500.20 FTE	500.20 FTE	500.20 FTE
Motor Vehicle Fuel		
\$1,017,849	\$1,017,849	\$1,017,849

Funding Results

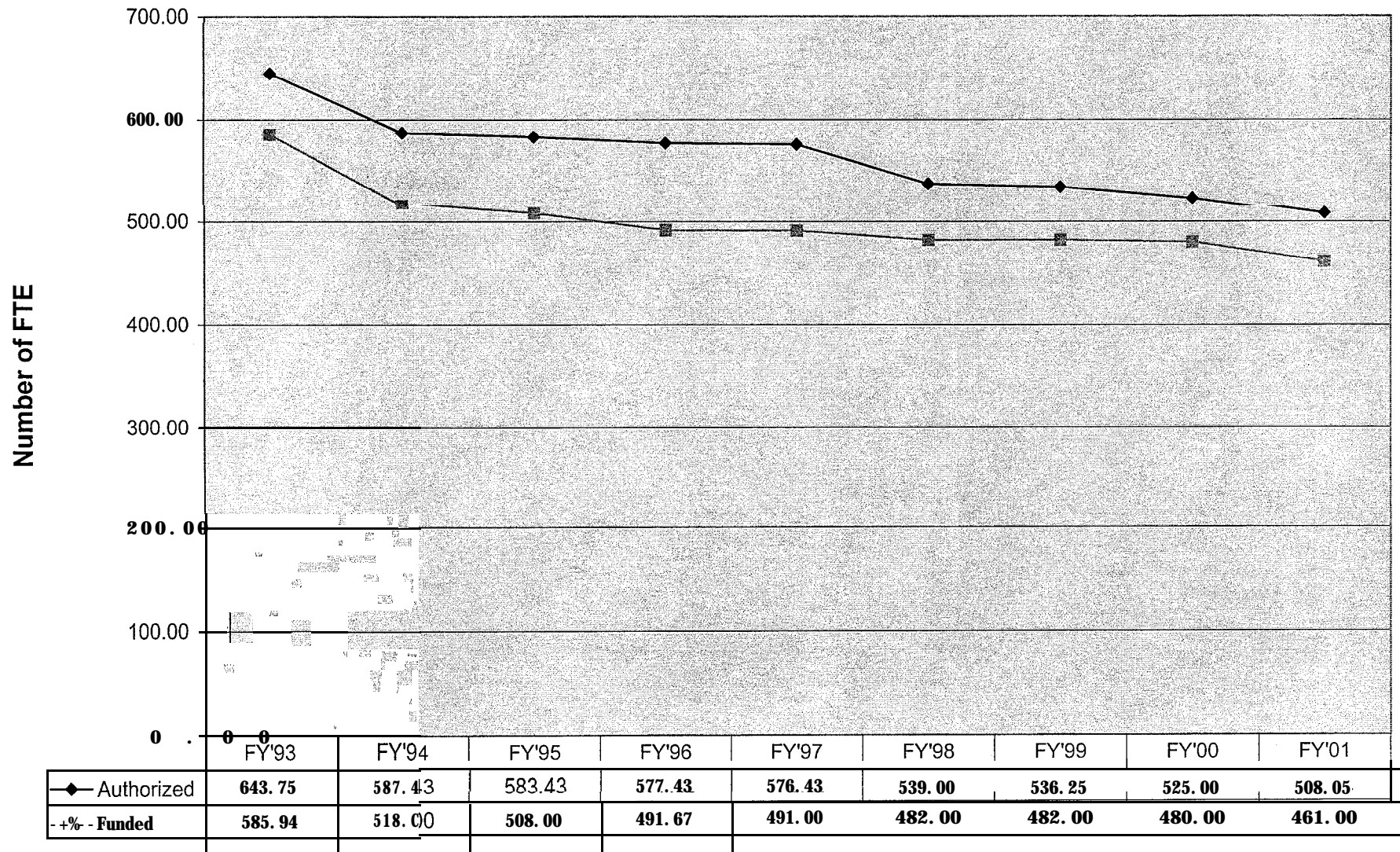
The FY 02 budget request supports the Department's strategic goals and reflects realignment and resource allocation to insure the following strategies are achieved:

- ◆ 24 x7 services are supported in Taxpayer Services and Tax Processing
- ◆ Electronic Tax Administration project will continue to develop web based applications
- ◆ Efforts toward streamlined sales tax administration will continue
- ◆ The goal of issuing 90% of refunds within 30 days will be maintained
- ◆ Current levels of auditing and compliance monitoring will be maintained
- ◆ GASB 34 will be instituted
- ◆ A Tax Expenditure Study will be conducted to determine impacts of credits and exemptions.
- ◆ Continued implementation of Tax Gap and collection of \$25 million.
- ◆ Centralized Collections will begin collecting "hard-to-collect" child support for the Department of Human Services.

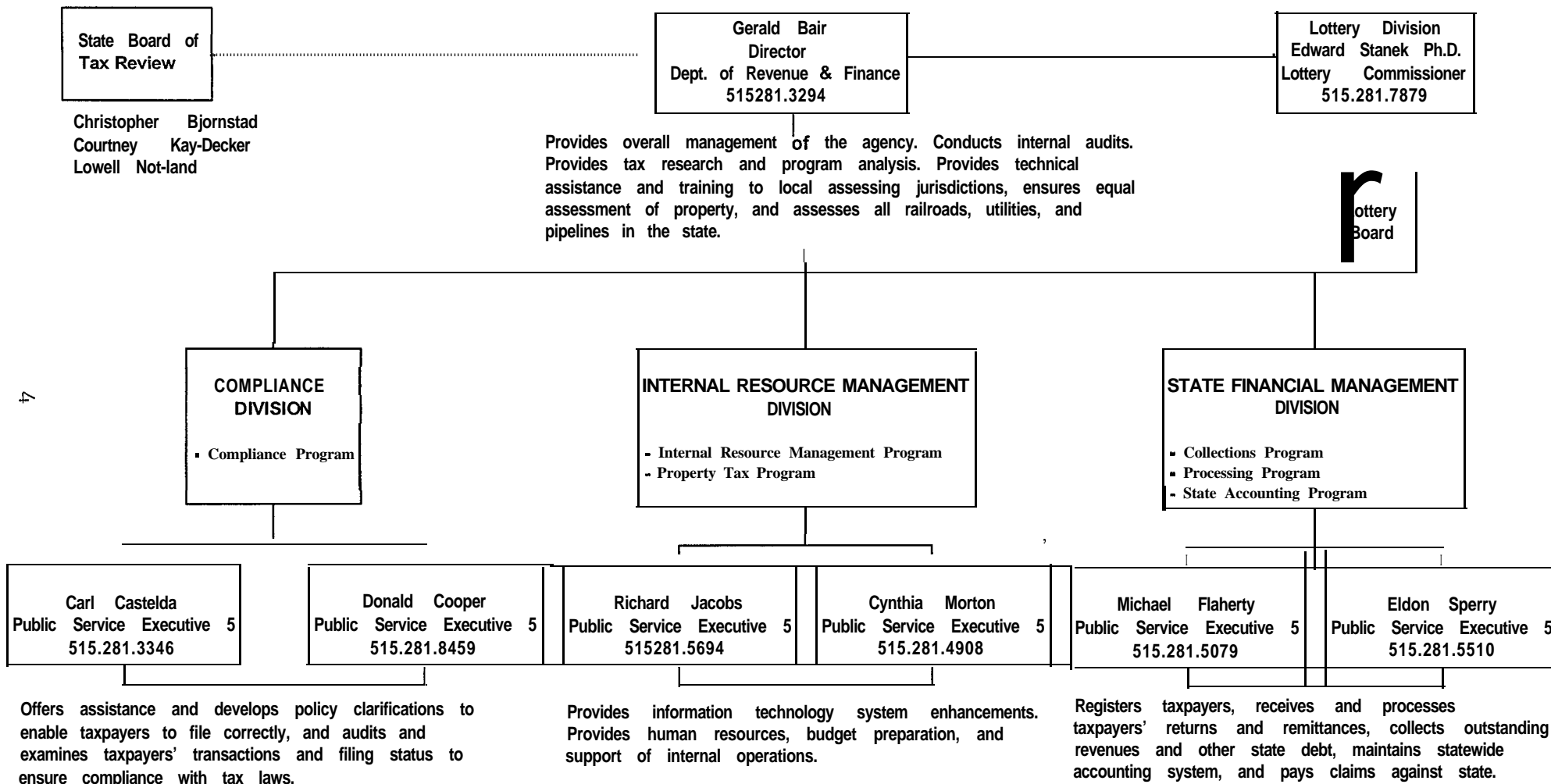
For more information about the
Iowa Department of Revenue and Finance
please visit our web site at:

www.state.ia.us/tax

Iowa Department of Revenue & Finance FTE Comparison



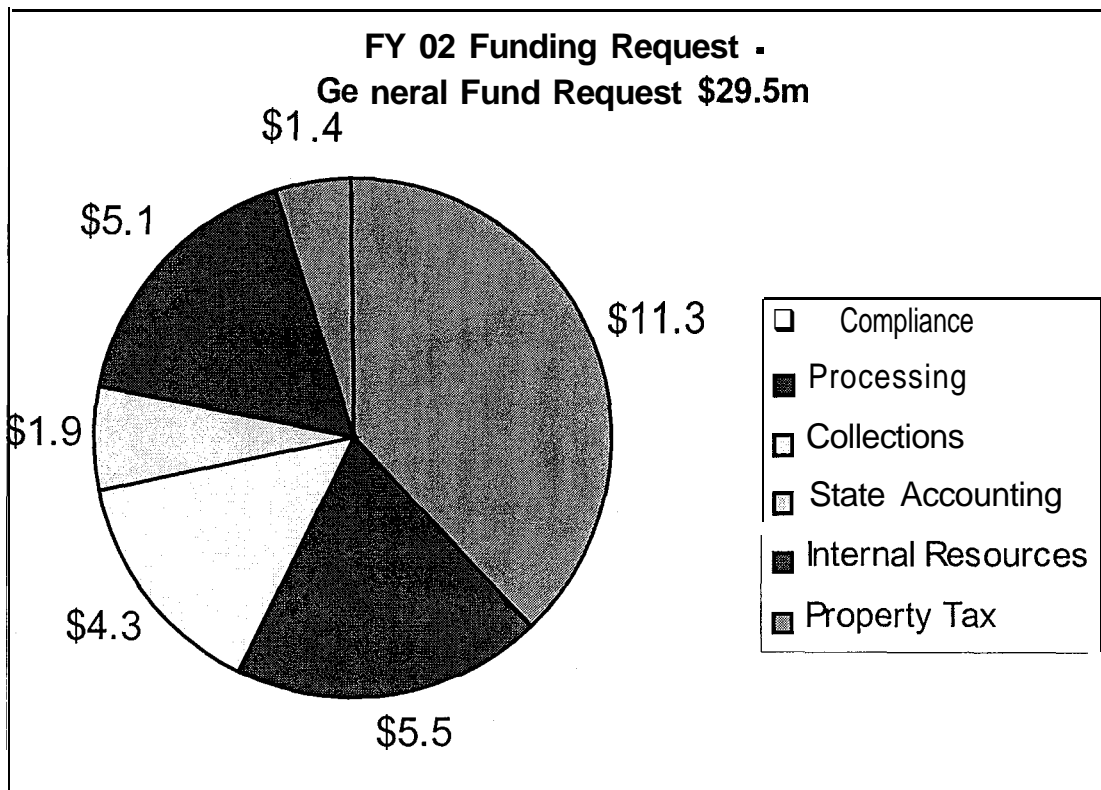
IOWA DEPARTMENT OF REVENUE AND FINANCE



Iowa Department of Revenue and Finance

Six Program Areas

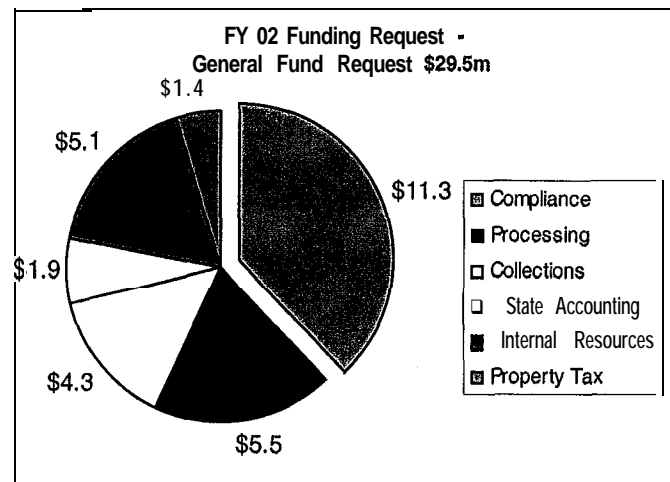
- ❑ Compliance
- ❑ Processing
- ❑ Collections
- ❑ State Accounting
- ❑ Internal Resource Management
- ❑ Property Tax



COMPLIANCE	FY02: \$ 11.3m 273.49 FTE's
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Program Description

To improve voluntary compliance with Iowa's tax laws so the correct amount of taxes are paid, but no more, through policy development, taxpayer education and assistance, examination, audit and the timely resolution of disputed tax issues, and to provide quality service to external and internal customers.



Program Goals

- ◆ Provide timely, accurate and understandable information to customers.
- ◆ Discover unpaid tax liabilities and bill the correct amount of tax.
- ◆ Maintain specified turnaround times of reviewing and issuing refunds.
- ◆ Resolve protested issues at the lowest possible level of the audit and examination process.
- ◆ Participate in National, Regional and State initiatives to achieve sales tax simplification and resolve e-commerce issues

Key Measures

- . Revenue collected per dollar of cost
- . Ratio of collections to original dollars established
- Comparison of types of taxpayer contacts based on 24 x 7 services and electronic initiatives.
- . % of taxpayer service contacts resolved without direct human intervention.
- . Improved cycle times and busy signal rates
- . % of population audited.
- . Simplified tax legislation.

FY 2000 Results

- ✓ 20,000 office examinations generated \$25.6 million in revenue
- ✓ 462 in-state field audits generated \$6.5 million in revenue
- ✓ 12 out-of-state offices generated \$11.1 million in revenue.
- ✓ 246,000 "hits" on the Department's home page
- ✓ 128,000 "Where's my refund?" calls handled by the Interactive Voice Response system.
- ✓ 453,000 customers utilized various automated self-help options.

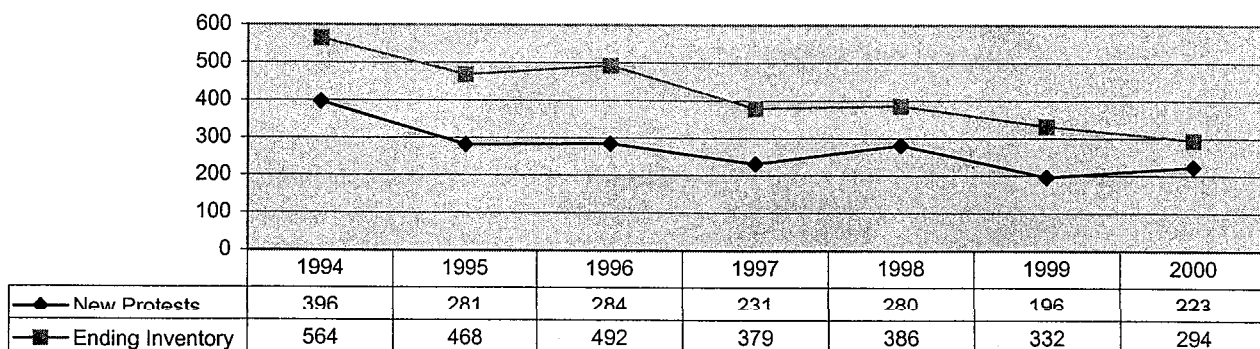
FY 2002 Initiatives

- Accelerated Tax Gap Program (see appendix for detailed description of Tax Gap).
- Proceed with Iowa Excellence (Baldrige) additional program measurement recommendations.
- Continue to expand electronic filing.
- Continue to expand services available on the web site.
- Continued participation in Streamlined Sales Tax Project
- Enforcement programs will generate \$40-\$45 million in revenue (beyond Tax Gap).

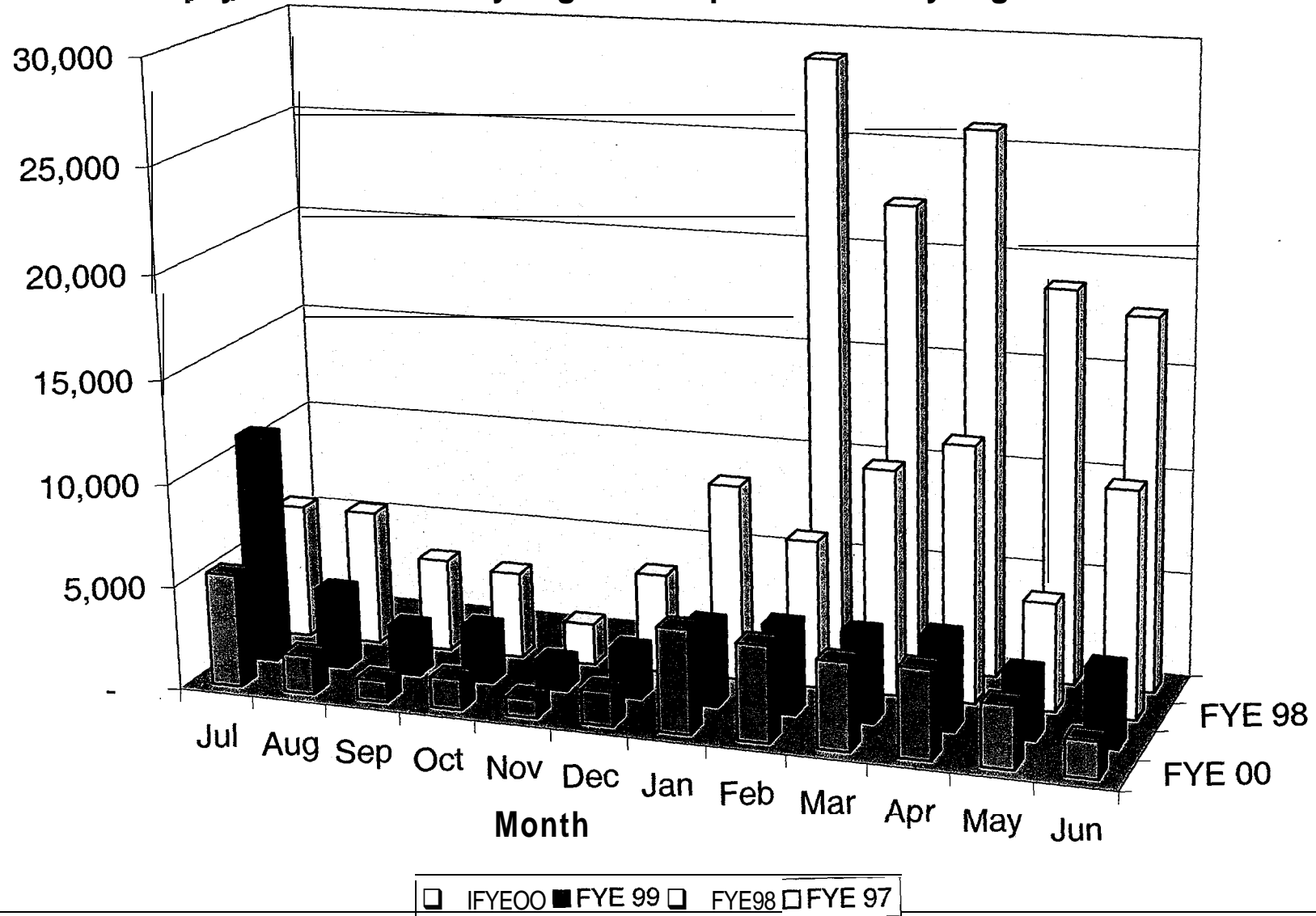
Examination & Audit
REVENUE PER \$ COST
FY 2000

Fiscal Year	Revenues (Collections & Refund Reductions)			Revenue Per Dollar Cost
	Enforcement Costs			
FY 95	\$ 7,913,718	\$ 46,022,969	\$	5.82
FY 96	\$ 7,283,545	\$ 51,483,896	\$	7.07
FY 97	\$ 8,185,714	\$ 52,404,260	\$	6.40
FY 98	\$ 8,200,418	\$ 63,497,679	\$	7.74
FY 99	\$ 8,467,019	\$ 57,560,227	\$	6.80
FY 00	\$ 8,603,646	\$ 58,792,690	\$	6.83

Exam	Billings	Hours	Revenue Per Dollar Cost	Refund Reductions Hours	Dollars
Corp		5,769	13.36		
Corp Nexus		1,467	50.78		
Franchise		369	0.39		
MVF		3,886	2.05		
Cig & Tobacco		866	1.25		
Self Audit			0		
Sales & Use Nexus		836	15.95		
income		23,676	5.67		
Inheritance		3,630	13.9		
Fiduciary		817	2.83		
SUB TOTAL		41,316	8.74	7,296	\$ 5,300,000
In-State				9,119	\$ 5,000,000
Sales/Use		37,281	2.12		
MVF		3,408	1.86		
Out-of-State				369	\$ 5,300,000
Sales/Use		4,913	4.2		
Corporate		7,294	14.97		

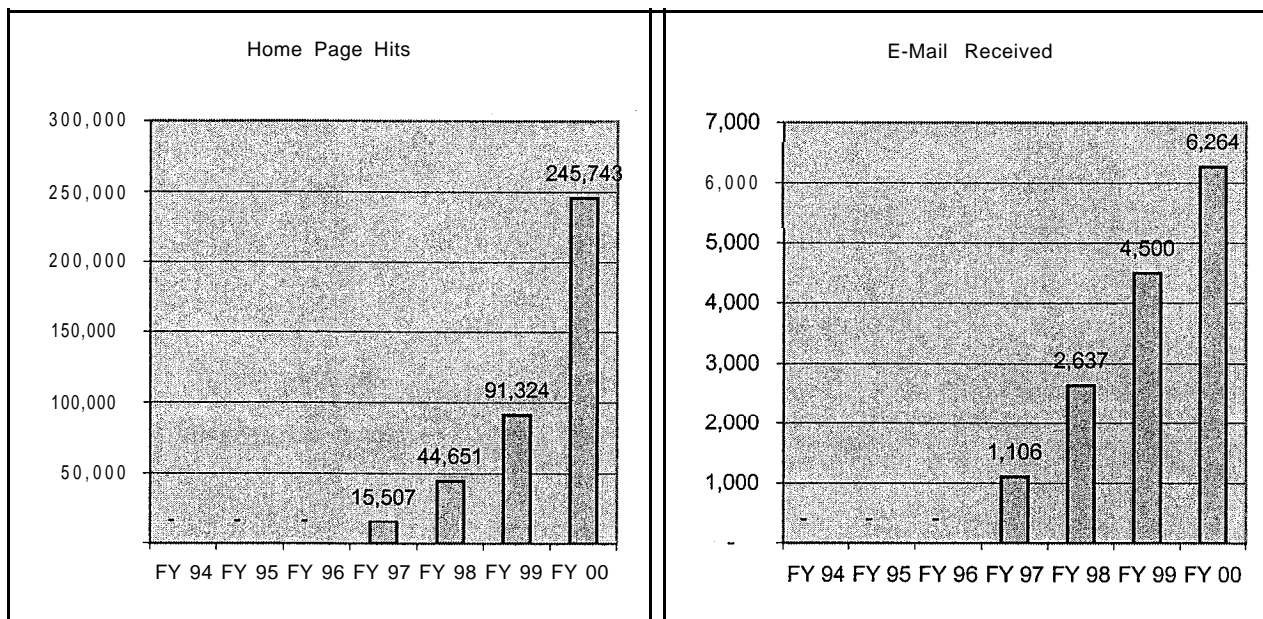
Tax Protests


Taxpayer Services Busy Signal Comparison - Busy Signals Given

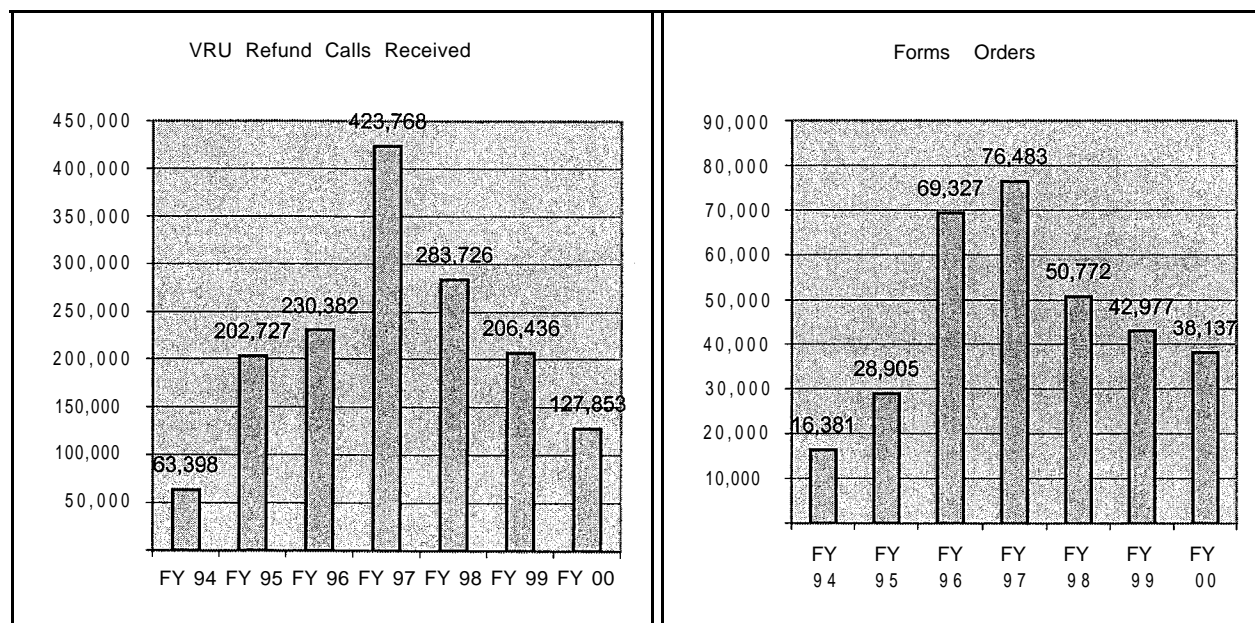


Taxpayer Services

24 X 7 Access



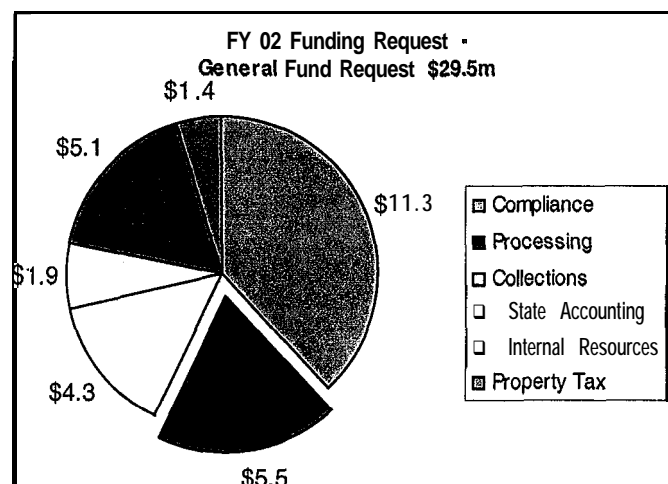
Results of strategies to reduce non-technical phone calls to Taxpayer Services



PROCESSING	FY02: \$ 5.5m 131.32 FTE's
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Program Description

To service taxpayers of the State of Iowa by processing their tax information and payments in an accurate and timely manner so that questions or adjustments are dealt with expeditiously, and any refunds or other distribution of funds or information meets management directed or statutory time requirements.



Program Goals

- ◆ Accurately filed returns.
- ◆ Tax information will be opened, processed and on-line within specified time frames.
- ◆ Payment transactions will be deposited within specified time frames.
- ◆ Financial reporting will be completed within one day of deposit.
- ◆ Process and issue 90% of income tax refunds within 30 days of the date received.
- ◆ Resolve exception transactions within 30 days of posting to the reconciliation file.
- ◆ Accurately distribute funds within specified time frames.

Key Measures

- Percent of transactions posted to the reconciliation file within 30 days.
- Cost per document-direct costs
- Percent of refunds issued within 30 days of time received.
- Deposit times and methods
- Availability of real time services on licensing.

FY 2000 Results

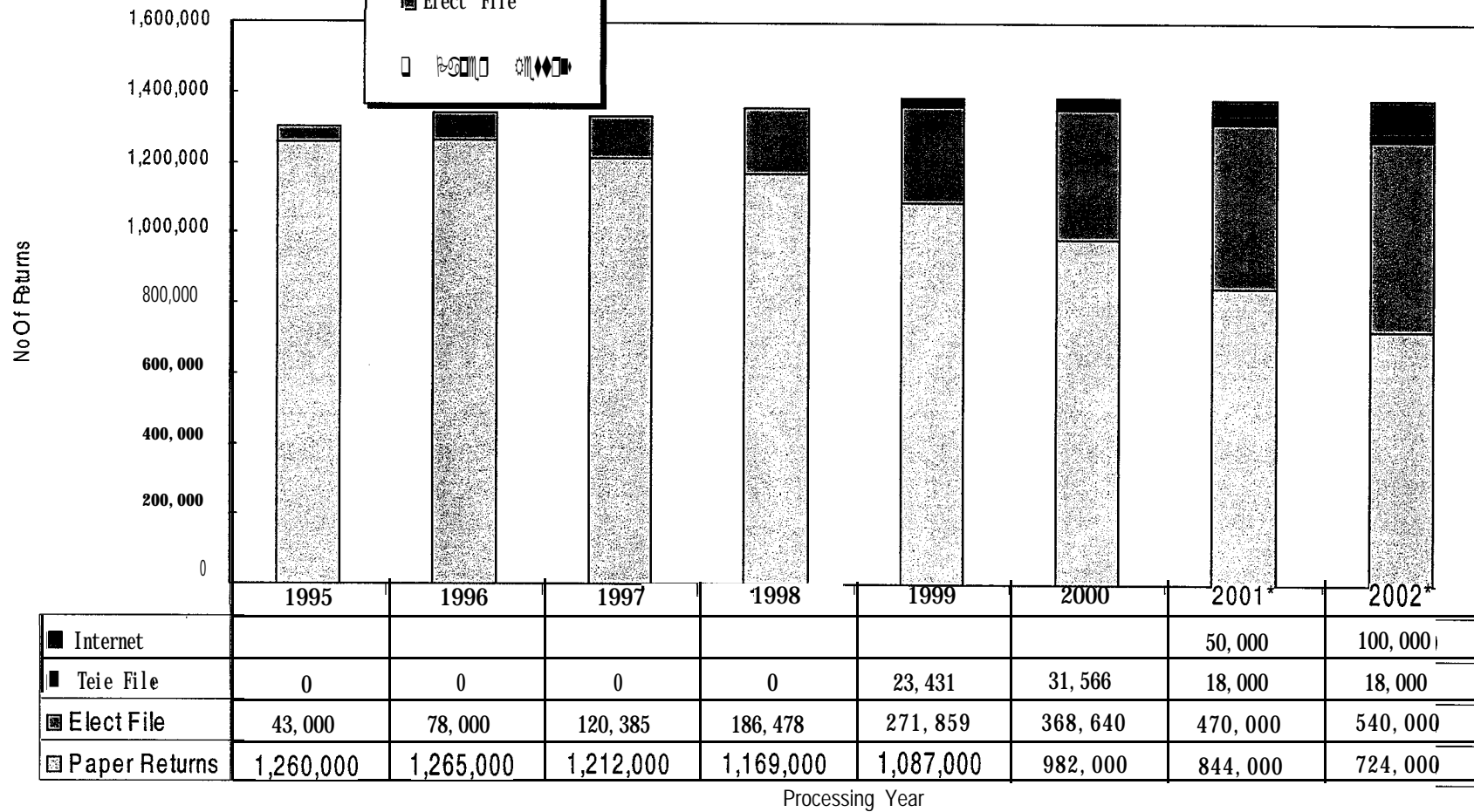
- ✓ Processed and deposited \$5.7 million in gross tax collections.
- ✓ Business tax redesign
- ✓ 89.7% of income tax refunds issued within 30 days.
- ✓ Processed 4 million tax documents
- ✓ Issued 30,000 tax permits for businesses

FY 2002 Initiatives

- Continue with development of e-filing options for business taxes.
- Develop recommendations for alternatives for current processing of paper tax returns.

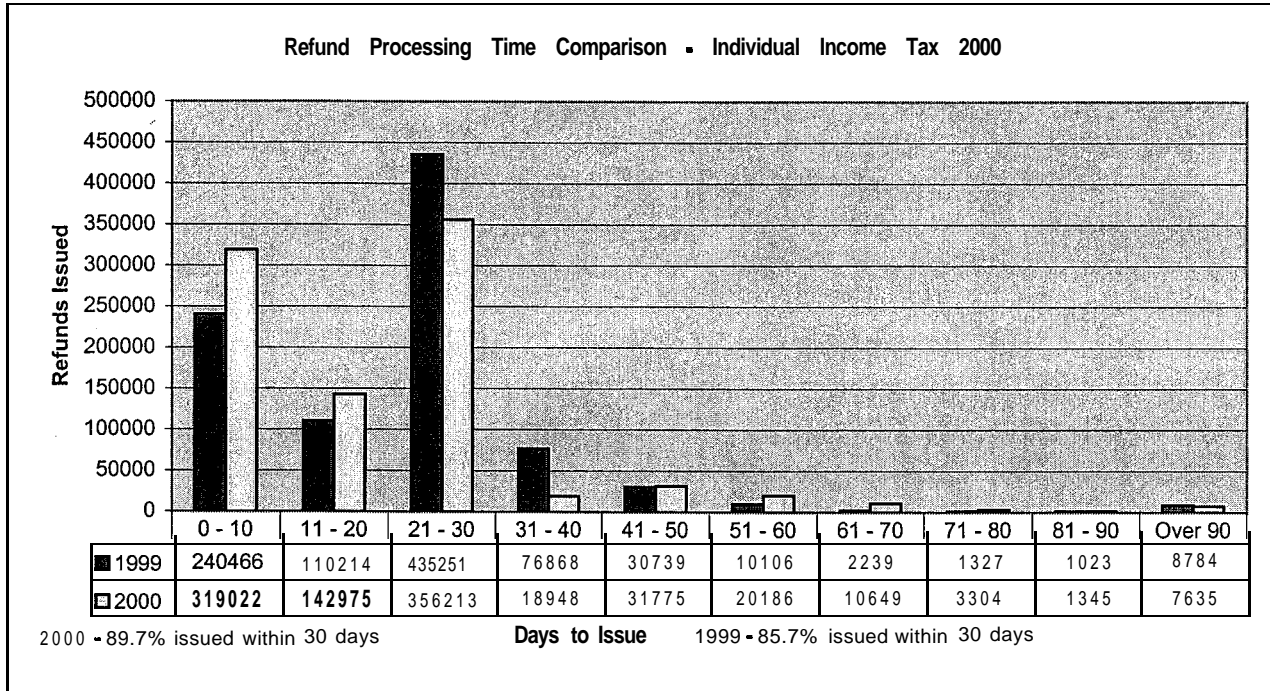
Growth of Electronic Filing

Individual Income Tax Returns

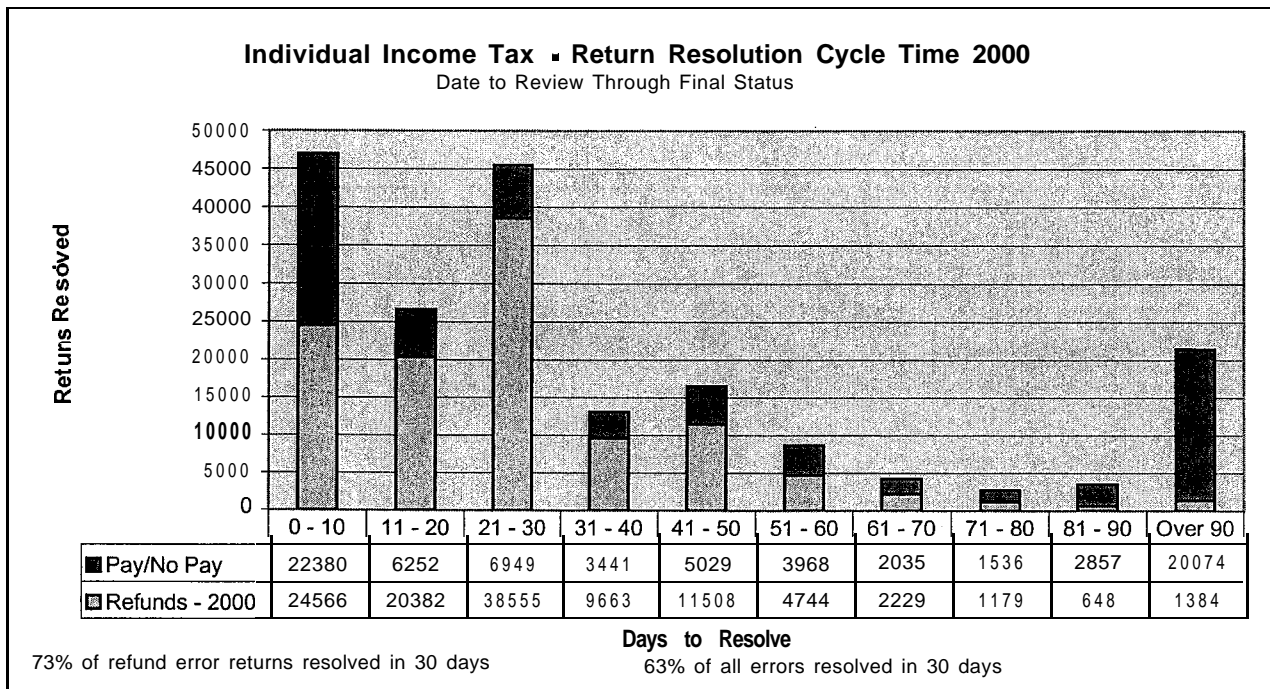


Processing Program

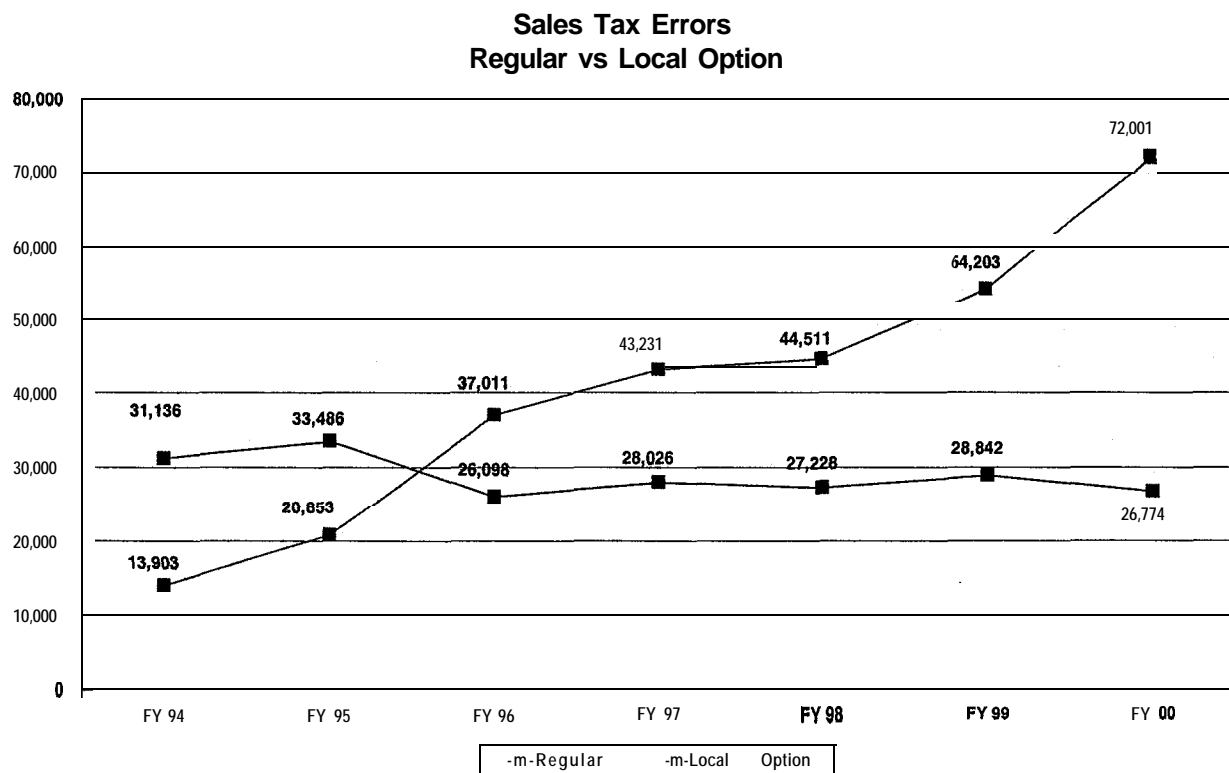
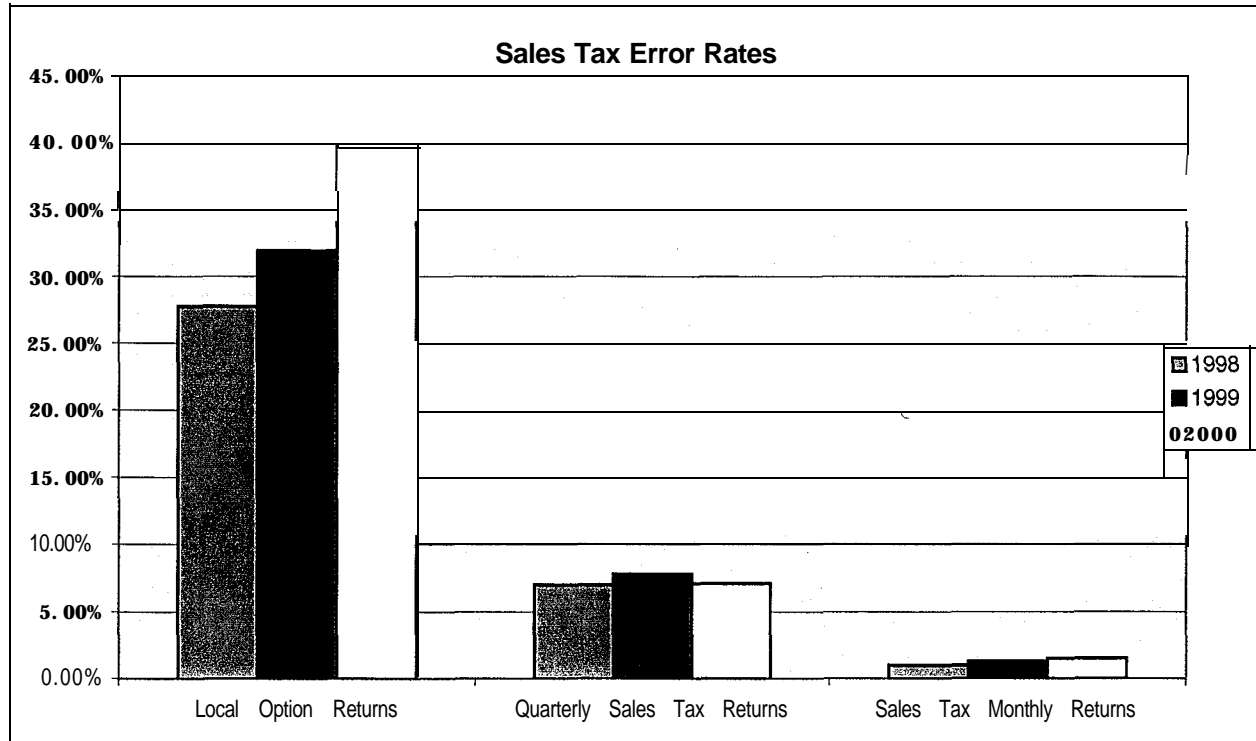
Goal = Issue 90% of timely filed refunds within 30 days



Goal = Resolve 90% of all error returns within 30 days of posting to the resolution file.



Processing Program



Processing Program**Documents Sent to Review • Review Rate**

FY 98	<u>Tax Type</u>	<u>Total Returns</u>	<u>Returns to Review</u>	<u>% to Review</u>
	Individual income Tax	1,623,066	311,563	19.2%
	Elderly & Disabled Property Tax Relief	19,272	5,830	30.3%
	Sales Tax	859,775	71,739	8.3%
	Withholding	795,263	21,140	2.7%

FY 99	<u>Tax Type</u>	<u>Total Returns</u>	<u>Returns to Review</u>	<u>% to Review</u>
	Individual Income Tax	1,396,744	212,741	15.2%
	Elderly & Disabled Property Tax Relief	19,362	6,325	32.7%
	Sales Tax	844,407	83,049	9.8%
	Withholding	775,095	28,195	3.6%

FY 00	<u>Tax Type</u>	<u>Total Returns</u>	<u>Returns to Review</u>	<u>% to Review</u>
	Individual Income Tax	1,505,769	210,921	14.0%
	Elderly & Disabled Property Tax Relief	22,306	7,473	33.5%
	Sales Tax	864,601	98,775	11.4%
	Withholding	789,428	30,844	3.9%

Deposits**EFT • % of dollars**

Tax Type	Total Dollars	Received EFT	% Received EFT
Withholding	1,796,536,183	1,020,225,654	57 %
Corporate Estimate	279,691,517	128,335,253	46%
Sales/Use	1,880,198,437	1,002,773,126	53 %
Motor Vehicle Use	251,806,696	251,806,696	100%
Motor Fuel Tax	435,146,468	431,146,468	99 %

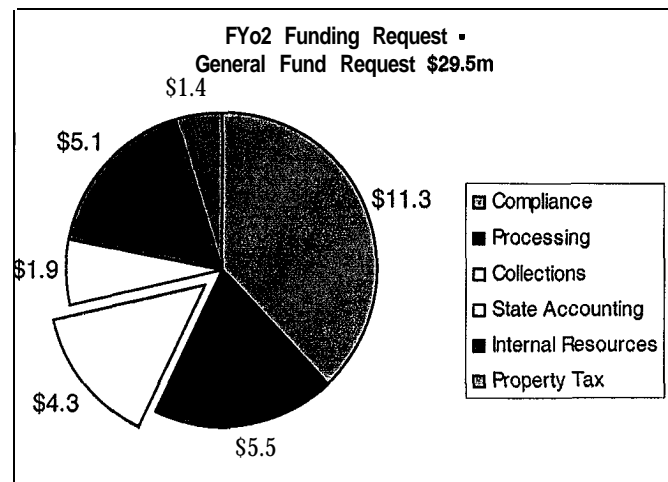
EFT • Number of Payments

Tax Type	Total Payments	EFT Payments	% Received EFT
Withholding	701,725	65,527	9 %
Corporate Estimate	38,827	833	2 %
Sales/Use	670,016	38,738	6 %
Motor Vehicle Use	1,189	1,189	100%
Motor Fuel Tax	5,479	1,660	30 %

COLLECTIONS	FY02: \$ 4.3m 81.5 FTE's
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Program Description

To resolve the outstanding debt owed to the Department of Revenue and Finance and other contracting agencies; and to resolve the unbilled, non-filed returns for the Department in compliance with Iowa law.



Program Goals

- ◆ Resolve 80% of billed accounts within 180 days of entry into the collection facility.
- ◆ Resolve 80% of non-filed returns within 105 days of entry into the collection facility.
- ◆ Collect the "net debt" placed with the collection facility within the following time parameters:
 - a) 30% of net debt in 60 days
 - b) 50% of net debt in 150 days
 - c) 75% of net debt in 365 days

Key Measures

- Percentage of billed accounts resolved within 180 days
- Percentage of non-filed returns resolved within 105 days
- Percentage of collections to net debt at 60,150 and 365 days (recovery rate).

FY 2000 Results

- ✓ Total collections increased \$4.35 million (21.6%) over FY 1999 and totaled \$24.5 million.
- ✓ Customer service rating of 2.4 on a scale of 1 to 10 (1=very satisfied).
- ✓ Created skip tracing data base to improve automation of access to state data.

FY 2002 Initiatives

- Continue to evaluate existing technology to determine an effective replacement strategy.
 - a Collaboration with additional agencies to expand debt collection services provided.
- Implement electronic funds transfer option for taxpayers requesting payment plans.

Collections

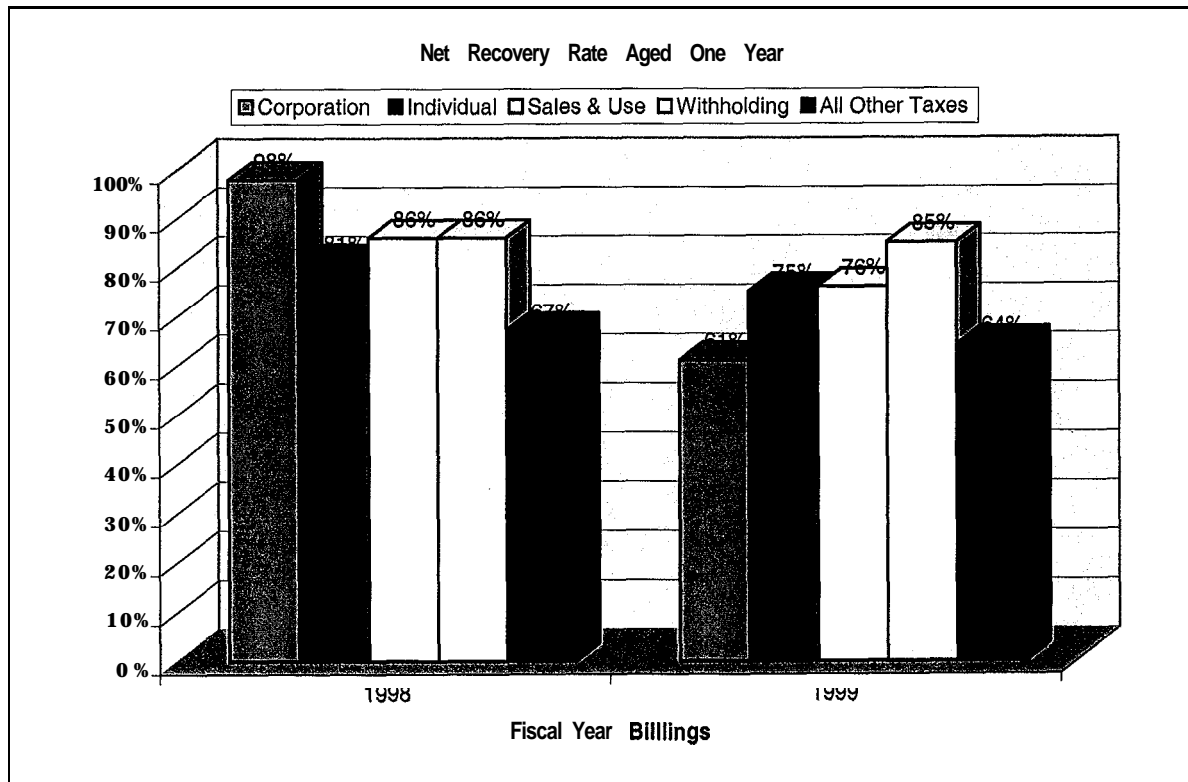
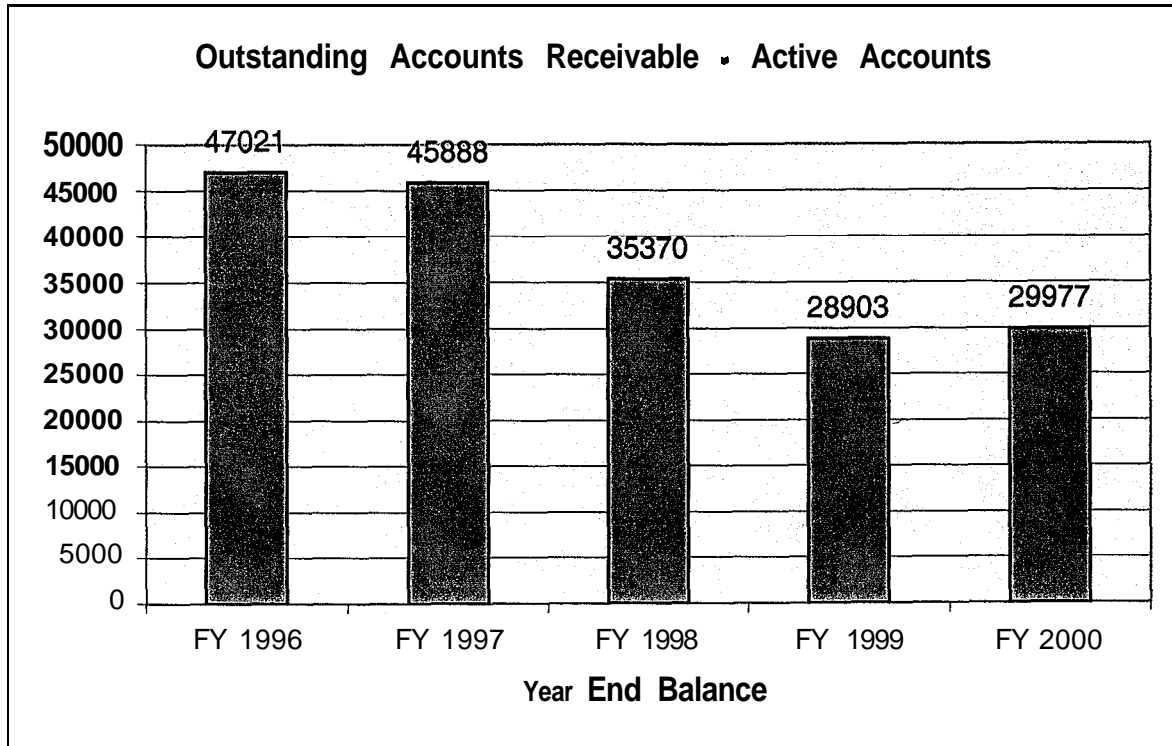
Billed Accounts Resolved within 180 days

Fiscal Year Placed	Number of New Liabilities	Number Resolved within 180 days	% Resolved within 180 days
1997	78,321	64,782	83 %
1998	87,770	68,472	78 %
1999	81,179	63,225	78 %

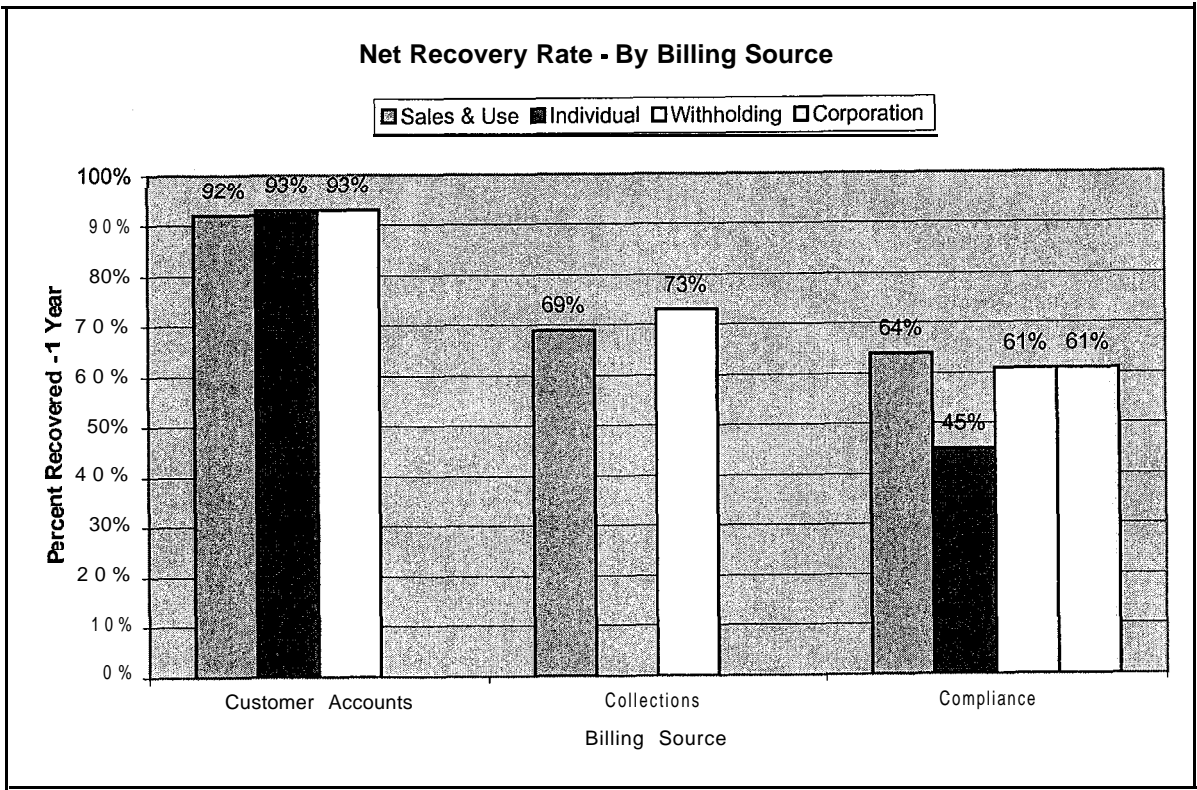
Percentage of collections to net debt at 60, 180 and 365 days

Fiscal Year Placed	Net Debt as of June 30	Collections within 60 days	Collections 61-180 days	Collections 181-365 days
1997	\$ 76,561,460	\$ 34,523,278 45 %	\$ 10,485,296 14 %	\$ 6,524,414 9 %
1998	\$ 90,820,183	\$ 39,874,519 44 %	\$ 11,618,540 13 %	\$ 7,233,714 8 %
1999	\$ 90,275,906	\$ 39,159,397 43 %	\$ 11,918,290 13 %	\$ 7,012,443 8 %

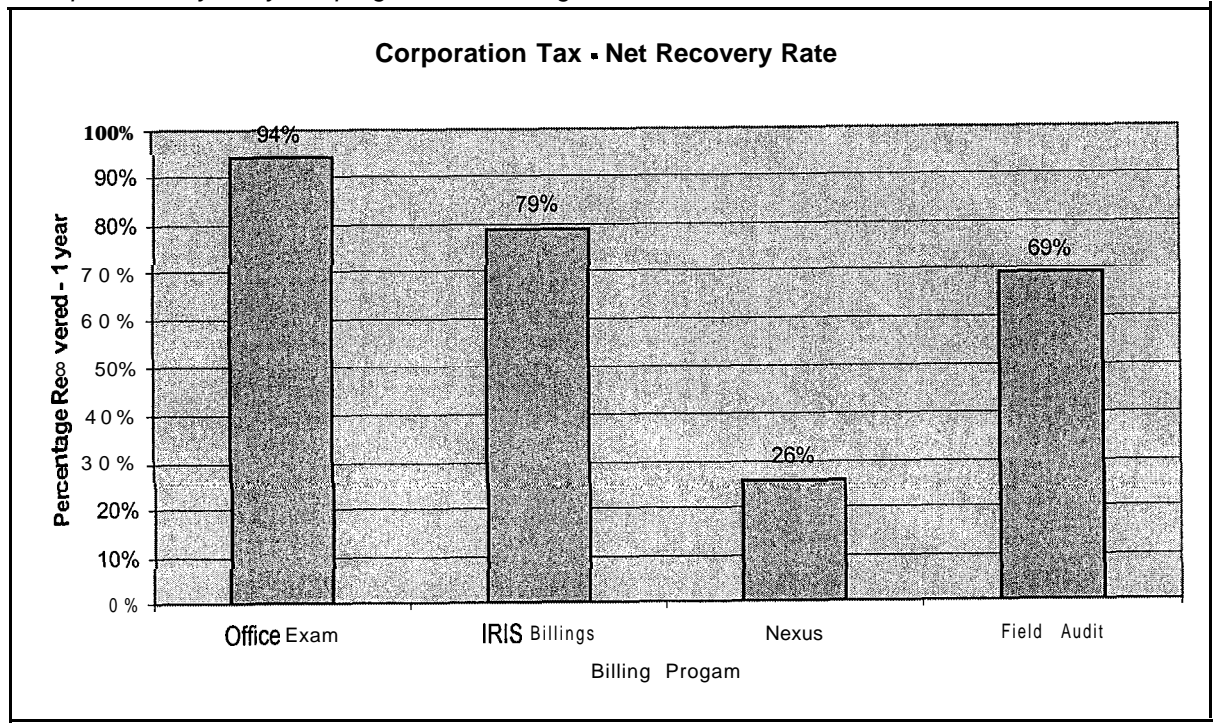
Collections



Collections

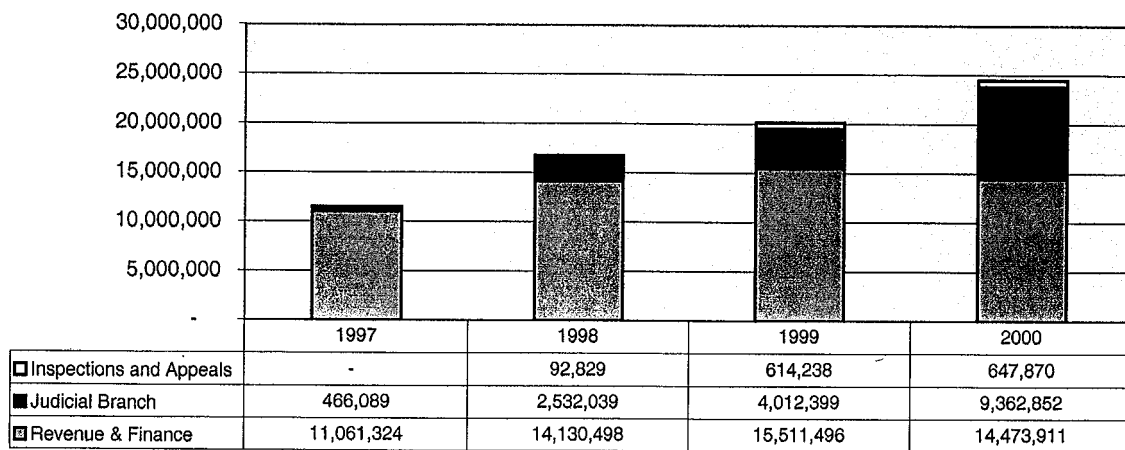


Example of Analysis by Subprogram within Program

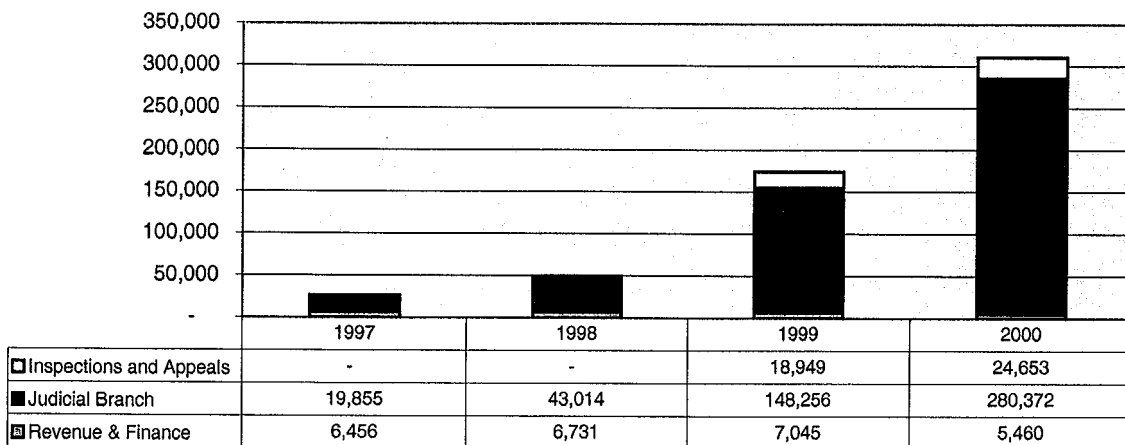


Collections Partnership

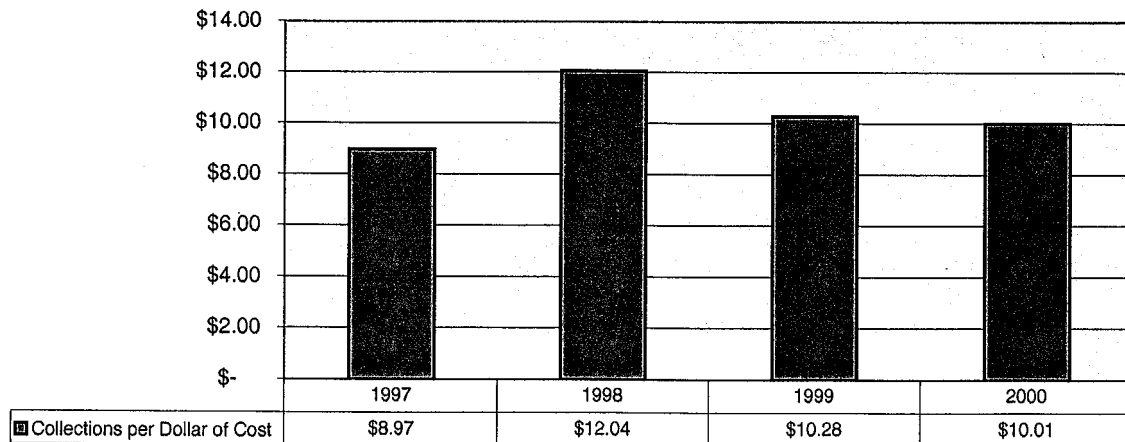
Collections Partnership - Total Collections FY1997 to FY 2000



Collections Partnership - Active Accounts



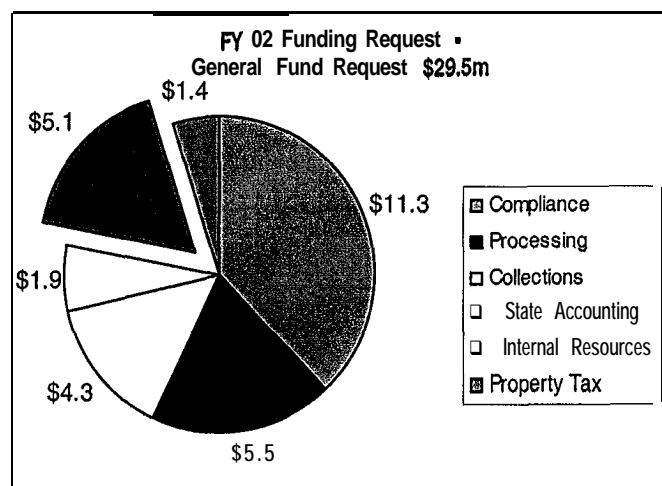
Collections Partnership - Collections per Dollar Spent



INTERNAL RESOURCE MGT.	FY02: \$5.1 59.59
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Program Description

To provide information technology, employee development administration, information analysis and budget and reporting services to enable employees to meet their program goals and to provide services to our customers.



Program Goals

- ◆ To attract and retain skilled workers.
- ◆ Performance measurement tools utilized by all levels of the organization.
- ◆ 100% "e" by 2003 with emphasis on development of web based interactive applications for filing of returns, payment of taxes and accessing of account information.
- ◆ Employee recognition programs are established and utilized.

Key Measures

- . On-line systems area available 97% of prime time hours.
- . Percent of programs with family of measures evaluated
- . Forms order fulfillment produces 24 hour turnaround on forms services order
- % of progress toward Affirmative Action goals
- . Measurements regarding organizational climates show progress in identified areas.
- Electronic Technology Initiative goals are met.
- Numbers of employees recognized for service/performance accomplishments.

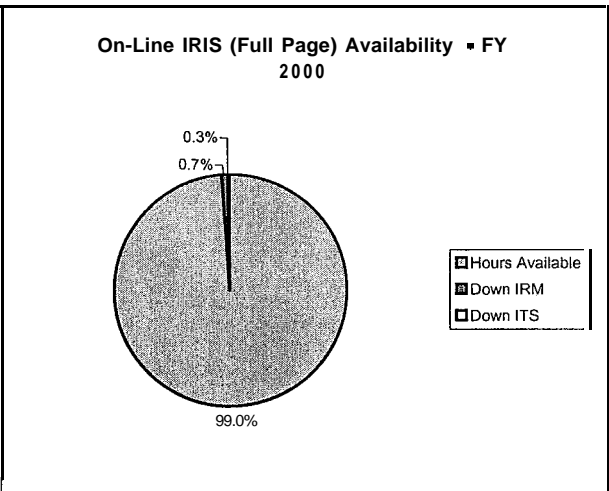
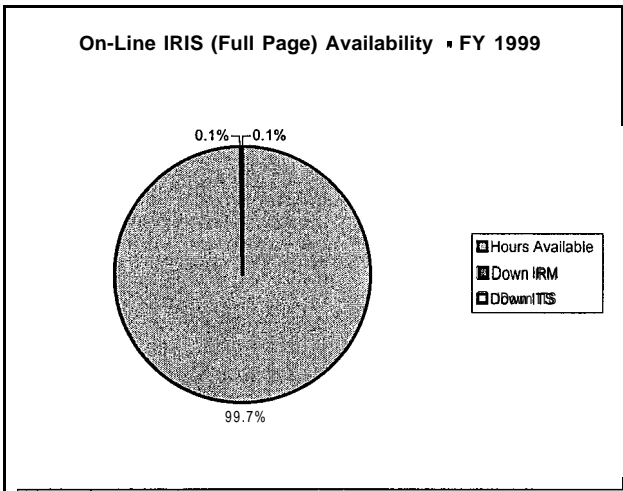
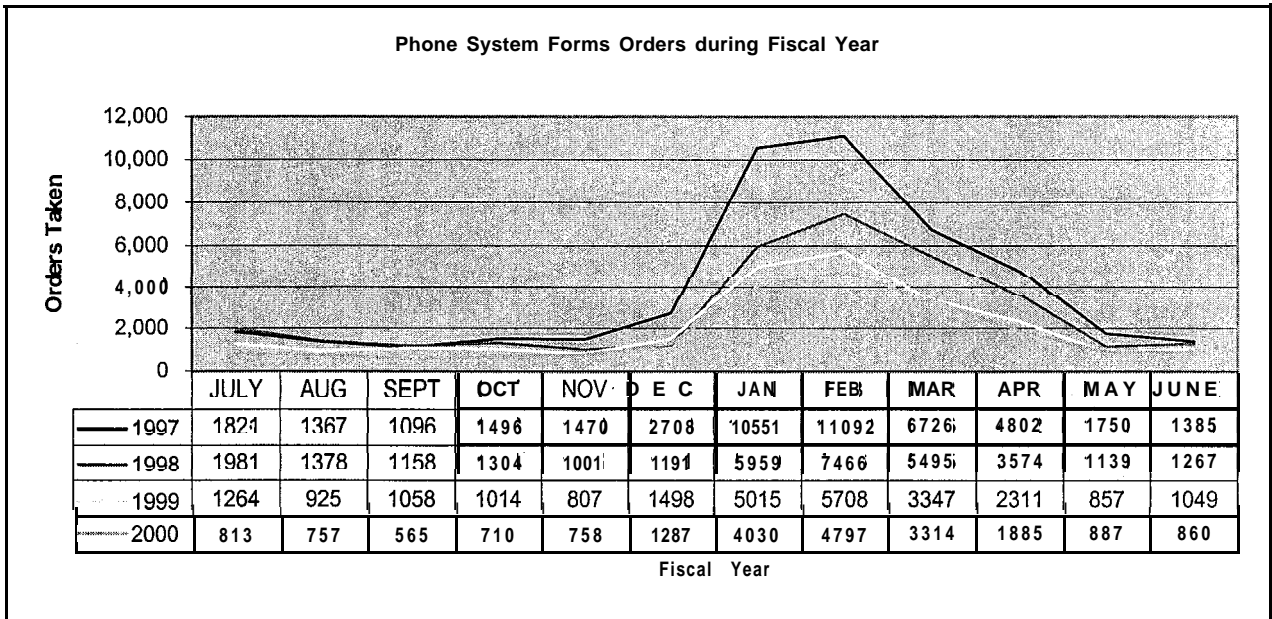
FY 2000 Results

- ✓ Prepared and successfully transitioned all information systems through century date change.
- ✓ Designed and implemented major enhancements to Department's Integrated Revenue Information System permitting reduction in interest expenses and increase in customer service.
- ✓ Expanded applications in support of Department collection functions including one of five states to work with federal government to offset federal tax refunds for delinquent state taxes. Nearly \$2.0 million collected on investment of less than \$200,000.
- ✓ Prepared initial applications necessary to support identification and tracking of audit suspects under Tax Gap project.
- ✓ 36% increase in the number of taxpayers filing electronically.
- ✓ 17% decrease in forms orders calls.

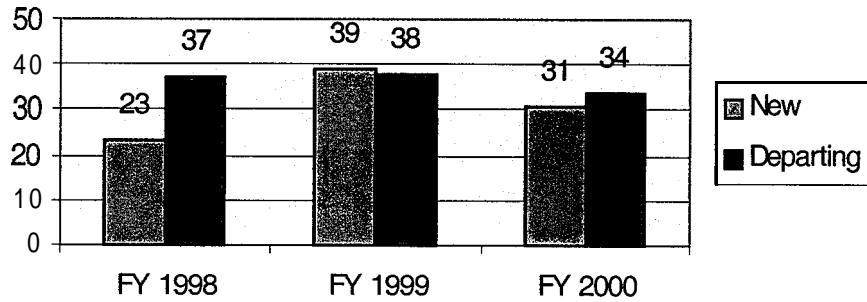
FY 02 Initiatives

- . Electronic Technology Initiatives identified through Pooled Technology funds continue to progress toward full implementation of e-commerce initiatives. Projected over 600,000 electronically filed income tax returns and several thousand business tax returns.
- Efforts in Strategic Workforce Planning will continue with completion of succession plan.
- Needs assessment of current and future staff will be continued.

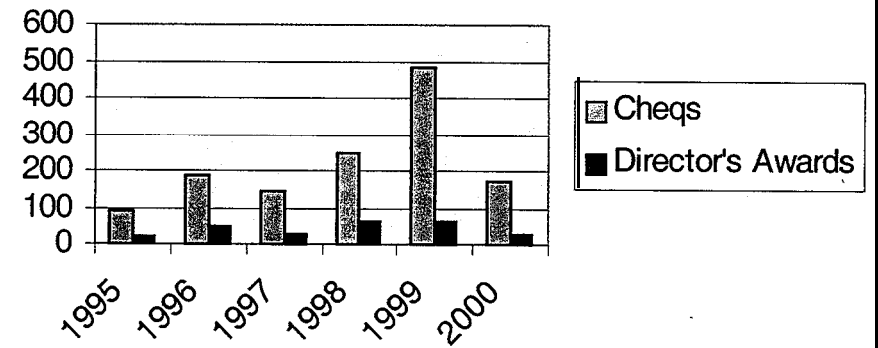
Information and Resource Management



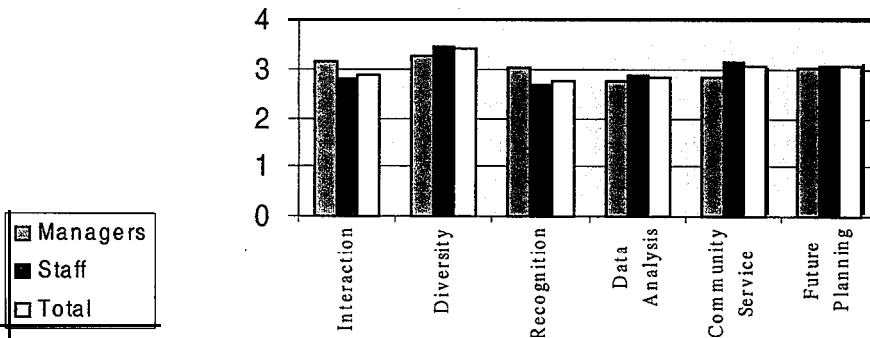
New Employees
and Departing Employees



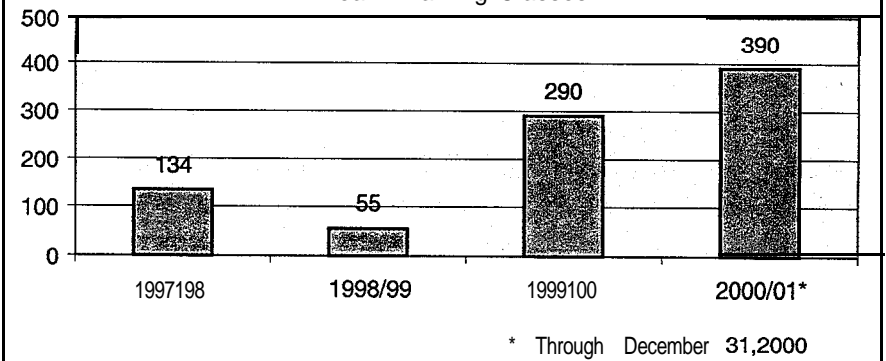
Employee Recognition



Organizational Climate
Survey Results- FY2001



Participant Attendance in
Team Training Classes



Brief Summary of IDRF Electronic Tax Administration Initiatives*

Maintaining and Expanding Electronic Filing Alternatives for Individual Income Taxpayers

Anticipated Solution: Tele File Program being continued with expansion into Internet filing as pilot program; targeted audience for TY 2000

Completion of Integration of Sales Tax into Integrated Revenue Information System

Anticipated Solution: The department has made a commitment to incorporating the sales, use and related taxes that are administered by the agency into the department's centralized information system known as IRIS.

Providing Internet Access to Customer Information for Updating and Accessing Taxpayer Registration and Transactions

Anticipated Solution:

- ✓ Internet based Registration application building on current Combined Business Application
- ✓ Additional Internet Applications to allow for access to department registration and estimate transactions-- initial application - TY 2000 Estimate Payments

Providing Internet Capability for Taxpayers to Complete Electronic Payment Requests

Anticipated Solution: Estimated Payment Registration Internet application interfacing with department EFT payment processing. Other applications to follow.

Providing Internet capability for sales tax filing

Anticipated Solution: The department is anticipating that Internet filing for sales and use tax will be developed in 2001. There are however at least two ways in which this service can be delivered; vendor based or internally developed. In addition and critical to the design of the system is the degree to which the national project on sales tax filing simplification becomes a reality. The project includes a request for funding based on estimates of resources required to create an Internet Filing application. The estimate is for funds primarily in FY 2002 although earlier use of the funds may be possible.

Developing "Information Push " resources

Anticipated Solution: This use of email, list servers and supporting registration database will allow the department to provide targeted electronic distribution mailings to customers (examples include filing reminders and industry specific distribution of policy decisions). Also anticipated that agency's web development team will working with IowaAccess move to more dynamic web development of department home page.

ESTIMATED RESOURCE REQUIREMENTS

Department Resources: \$600,000

Pooled Tech Account: \$925,000

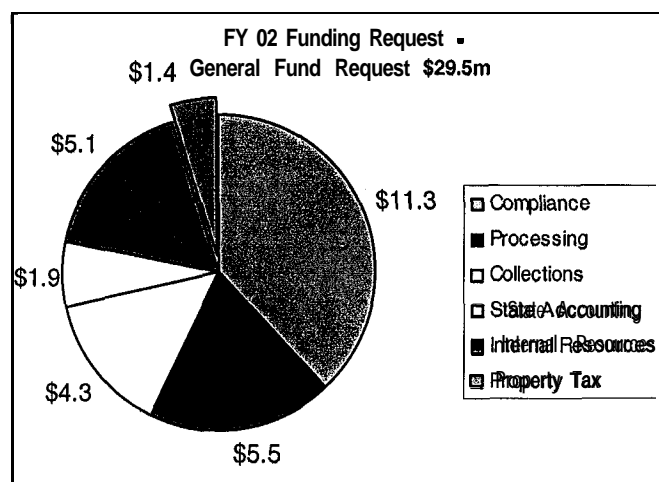
Total: \$1,525,000

* For additional explanation of Electronic Tax Administration Program, see Appendix

PROPERTY TAX	FY02: \$ 1.4m 20.60 FTE's
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Program Description

To provide comprehensive and timely education, service and enforcement programs to property tax officials and property taxpayers of Iowa, which will result in fair and equitable property assessments



Program Goals

- ◆ Equalizations – Improve processes and systems to provide information and assistance to assessors in a time frame that such data and aide can be utilized to establish accurate levels of assessment.
- ◆ Central Assessments – Improve the central assessment process to timely provide accurate assessments to our taxpayer customers, which in turn, will meet the needs of our other customers involved in establishing property tax levies.
- ◆ Utility Replacement Tax – Implement Iowa's utility replacement tax timely and accurately.
- ◆ Training and Education – Implement local tax official education and training programs.

Key Measures

- Time frame for processing and providing sales data to local assessors.
- Time frame for providing certified central assessment values.
- Number of successful protests of equalization orders.
- Number of schools, workshops and conferences participated in annually and number of new assessors completing IDRF training curriculum.

FY 2000 Results

- ✓ Successfully implemented Utility Replacement Tax providing equity in assessed values and estimated property tax levies for all counties.
- ✓ Processed 90,000 declaration of value documents used to provide sales data to local assessors.
- ✓ Implement new assessor training system.
- ✓ Enhanced equalization appraisals utilizing improved market based data and methodologies.

FY 02 Initiatives

- Monitor and improve utility replacement tax processes.
- Timely issuance of Equalization orders impacting 2001 property values.
- Improved transactions with local tax officials utilizing electronic communication technologies.

Property Tax

EQUALIZATION • SALES LISTINGS HISTORY

<u>Sales Year</u>	<u>Date Partial Sales Listing Sent</u>	<u>Date Final Sales Listing Sent</u>
1992	January 28, 1993	June 1 ,1 993
1993	February 21, 1994	June 23, 1994
1994	January 23, 1995	June 1 ,1 995
1995	January 24, 1996	June 6, 1996
1996	December 23, 1996	May 29, 1997
1997	December 23, 1997	May 21, 1998
1998	December 11, 1998	May 14, 1999
1999	December 30, 1999	May 30, 2000
2000	January 8, 2001	

** January • October Sales* *Cutoff = June 1*

CENTRAL ASSESSMENTS • CERTIFICATES OF ASSESSMENT

It is important to local governments to receive the certified central assessment values in a timely manner. These values are utilized in the budgeting and levy process by local governments. The sooner they receive these values, the sooner they can begin the budget process.

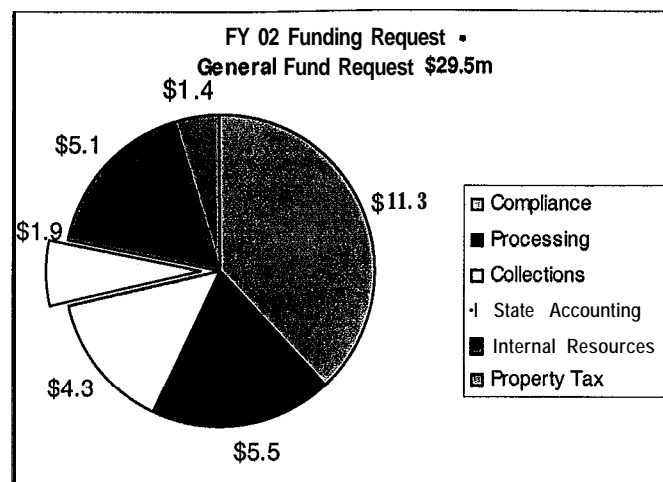
Dates Mailed

December 7, 1992
December 22, 1993
December 6, 1994
November 9, 1995
November 15, 1996
November 26, 1997
December 14, 1998
December 17, 1999
December 8, 2000

STATE ACCOUNTING	FY02: \$ 1.9 34.05 FTE's
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Program Description

To manage the State's financial resources in the operation of effective accounting and payroll systems, to ensure the timely and accurate processing of accounting and payroll documents, To prepare and issue a Comprehensive Annual Financial Report (CAFR) and to generate other financial information and reports to meet the needs of citizens, vendors, state employees and other government agencies.



Program Goals

- ♦ Disburse and accurately account for \$8.9 billion.
- ♦ Timely and accurately processing of biweekly payroll for the Executive Branch.
- ♦ Disburse voluntary and mandatory deductions to meet the requirements set by law and Department policy.
- ♦ Process 400,000 accounting documents annually within specified time frames.
- ♦ Facilitate and prepare the completion of financial information reporting.

Key Measures

- Unqualified audit opinion from the State Auditor
- GFOA Certificate of Achievement for Excellence in Financial Reporting
- Percentage of rewrites to total payroll
- Compliance rate for agency accounting documents.

FY 2000 Results

- ✓ Initiated a project to develop the 1st annual Citizen's Report for the State of Iowa.
- ✓ Successfully implemented a major upgrade of the Iowa Financial Accounting System (IFAS)
- ✓ Received the GFOA Certificate for Excellence in Financial Reporting.
- ✓ Reduced error rate on accounting documents.

FY 2002 Initiatives

- Begin work on upgrading IFAS software to Advantage 4.0, with implementation in FY03.
- Provide on-line entry of travel vouchers by user.
- Continue Enterprise Resource Planning (ERP) to implement integrated enterprise-wide software for major statewide administrative processes.
- Continue implementation of on-line time reporting and provide individual earnings information via the state intranet or via e-mail.
- Re-design/streamline the warrant writing process.

Accounting Bureau

Received Unqualified audit opinion from the Auditor, State of Iowa

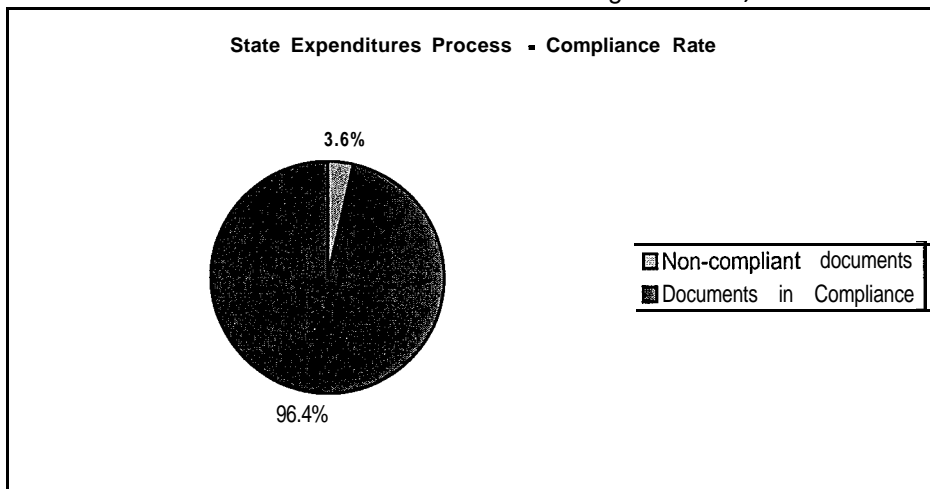
FY 94	FY 95	FY 96	FY 97	FY 98	FY 99	FY 00
Yes	Yes	Yes	Yes	Yes	Yes	Yes

Received Certificate for Excellence in Financial Reporting - Government Financial Officers Association

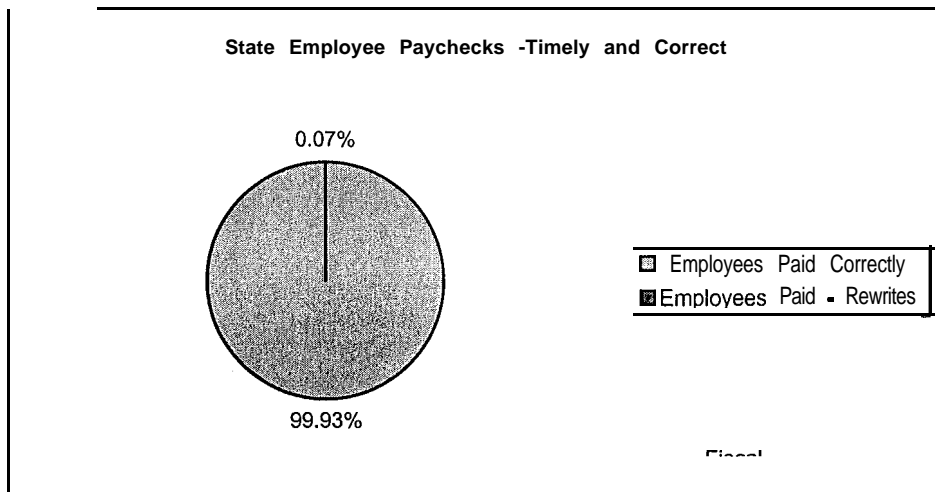
FY 94	FY 95	FY 96	FY 97	FY 98	FY 99	FY 00
Yes	Yes	Yes	Yes	Yes	Yes	Submitted

Rate of Compliance for State Agency Accounting Documents

PERIOD OF REVIEW 12 months ending March 31, 2000



Payroll



APPENDIX

Tax Gap Compliance Project

Electronic Tax Administration Initiatives

Tax Gap Compliance Project

Iowa Department of Revenue and Finance

January 8, 2001

Project Overview

In November, 1999 the Iowa Department of Revenue and Finance and NCR Corporation joined in partnership to design, develop, and implement a data warehouse solution. The partnership with NCR is a three-year project with the costs for services funded through performance-based procurement in accordance with the Code of Iowa, Section 421.17(22A). Through this initiative, opportunities to fully utilize multiple and complex data sources are available to the department to identify non-filers of tax returns and non-payers of taxes.

Business Challenge

- Disparate information systems
- Inability to fully utilize available data sources
- Limited technical resources
- Limited management information reports
- Labor intensive and paper producing processes

Business Solution

- *Data Warehouse:* Integration of multiple internal and external data sources
- *Data Warehouse Tools:* Provide the framework to analyze compliance issues, determine customer needs, and make smart business decisions
- *Audit Component:* Automated platform for the performance of all audit and examination processes.

Project Goals and Objectives

- Optimize revenue and promote voluntary compliance
- Optimize customer needs satisfaction
- Optimize decision-making techniques

Major Milestones Accomplished

- Data warehouse installed and operational
- Multiple data sources loaded and utilized to identify areas of non-compliance
- Corporation income and retailer sales/use tax non-filer program sets implemented with 560 out-of-state leads and 2,122 in-state leads in process
- New leads pursued weekly
- Audit Component functional requirements design

IDRF Tax Gap Compliance Project

Page two

January 8, 2001

Milestones in Progress

- *Business Discovery to begin February 19, 2001:* Interviews with department personnel to discover and determine agency data warehousing key business needs to identify and prioritize business questions that provide the greatest benefits in performance, productivity, and return-on-investment.
- *Program Sets:* Individual income, withholding, and consumer use tax non-filer program sets are scheduled to be implemented early 2001.
- *Audit Component:* The automated audit system is in the development stage. The system will be deployed in three phases of functionality with Phase I implemented in May, 2001.

Revenues Collected through December, 2000

<u>FY 2000</u> <u>(Apr – Jun 2000)</u>	<u>FY 2001</u> <u>(Jul – Dec 2000)</u>	<u>YTD Total</u>
\$ 131,579	\$ 1,466,513	\$ 1,598,092

Allocation of Revenues Collected

NCR: 85% of the first \$10 million

30% of the revenues over \$10 million until \$11,562,172 is paid as cost of contract

OSI: Human resources to administer program sets at \$26.50 per hour

ITD: IDRF's share of hardware and software costs

Estimated Revenue Allocation During Project Contract Period

<u>Projected</u>	<u>Time Periods</u>		
	Nov. 99 • Sept 2001	Oct. 2001 – June 2002	July 2002 – April 2003
Revenues	\$1 0,000,000	\$13,893,328	\$1,106,672
Allocation to NCR	\$8,500,000 (85%)	\$3,062,172 ²	-0-
Allocation to OSI	\$368,880	\$ 4 5 7 , 9 2 0	\$381,600
Allocation to ITD	\$850,000 ¹	\$954,340	\$354,085

¹ Does not include cost of upgrade

² Capped at total cost of \$11,562,172

Brief Summary of Proposed IDRF Electronic Tax Administration Initiatives For FY 2001 and FY 2002

Overview

The Department of Revenue and Finance continues to emphasize as one of its top priorities the challenge of providing our customers with the opportunity to conduct business electronically with the agency. During FY 2001, the agency will successfully deploy several applications which will allow lowans to remain better informed and to reduce their cost of doing business with the state. The department requests funding for FY 2002 to enhance this customer support in several important areas.

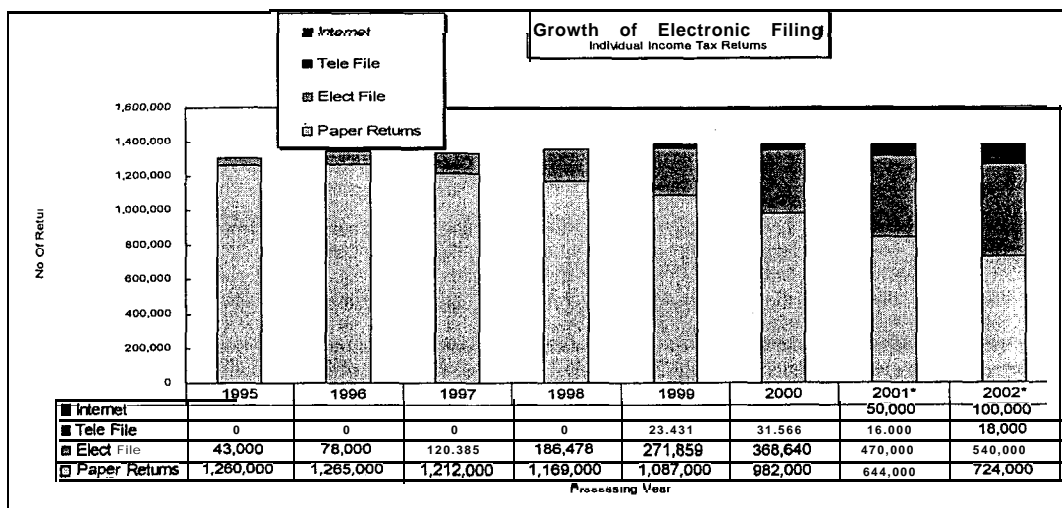
The objective of this paper is to provide a brief review of the initiatives being completed under the Electronic Tax Administration (ETA) program. As indicated in the attached chart the agency has organized its ETA initiatives around five major areas with specific projects identified for completion.

Maintaining and Expanding Electronic Filing Alternatives

Individual Income Taxpayers

In calendar 2001 the department will be implementing the Internet based filing of individual income tax returns to accompany a three-year commitment to permit tele-filing of tax returns. In conjunction with the federal/state electronic filing program which in 2001 will be entering its 7th year of increasing utilization, the agency could see receive electronically in excess of 525,000 returns.

FY 02- The department is requesting funding to continue and to expand the opportunities for direct electronic filing of income tax returns in FY 02. If successful marketing and deployment occurs taxpayers may be filing in 650,000 returns electronically.



Sales/ Use Tax Filing

The department is anticipating that Internet filing for sales and use tax will be developed in 2001.

FY 02- To allow for continuation of the service offering throughout the full year and to permit expansion to other filers the department is requesting additional funds for fiscal year 2002

Providing Internet Access to Customer Information for Updating and Accessing Taxpayer Registration and Transactions

The department intends to deploy multiple opportunities for electronic access and filing. While a variety of applications are anticipated each would be intended to provide one or more of the following services:

- 9 *Permit taxpayers to remit taxes and to report taxes*
- 9 *Provide taxpayers with access to information regarding their tax history or their responsibilities.*
- 9 *Create "fillable" forms for use by taxpayers to file forms when full web based filing is inappropriate.*

In the current fiscal year the agency will be providing taxpayers with the opportunity to view information regarding the income tax payments made for tax year 2000. In addition, taxpayers will be able to "register" to have electronic funds transfers initiated for future payments of their estimated income taxes. These two applications will provide the taxpayer and their tax preparers with the opportunity to access information needed to complete the taxpayer's income tax return without having to contact the agency. The application will also serve to create a foundation for development of future applications linking Internet access to the department's mainframe information systems.

FY 02- The applications to be created in the next fiscal year will be finalized during FY 01, however, among the opportunities are the following:

1. Current Refund Status
2. Tax History Information
3. Tax Payments
4. Department Correspondence
5. Property Tax Data Store
6. Policy Updates

Integration of Applications

The department is committed to the incorporation into its Integrated Revenue Information System of all major taxes. During the current fiscal year the agency will complete the design and most of the application development required to allow the

processing of sales, use and related excise taxes within IRIS. This integration will provide numerous benefits to the agency and to its customers. However, one of the major benefits will be the completion of an application platform which will support the planned Internet access for all taxes.

FY 02- The department's commitment to integration of tax applications will continue with inclusion of the state withholding tax into IRIS. With the completion of this application the department will have completed the migration of all major tax sources from legacy applications into this new environment.

Developing "Information Push " resources

Beginning in FY 2000, the department will increase its use of electronic information distribution. Using technologies such as e-mail, list servers and supporting registration databases the department intends to provide targeted electronic distributions to customers (examples include filing reminders and industry specific distribution of policy decisions).

ELECTRONIC TAX ADMINISTRATION ~ A LOOK TO THE FUTURE

ELECTRONIC FILING OF TAX RETURNS

FY01

FY02

FY03

Individual Income

Fed/State/ELF

Projected Total 525,000

Projected Total 650,000

Projected Total 730,000

Continue to Emphasize Practitioner Participation

→

Tele file of State Tax Returns

Provide Option but increase emphasis on use of Web Based Filing

→

Internet Filing of State Tax Returns

Implement Pilot

Expand Program to take advantage of increased use of Internet

→

→

Sales Tax

Implement Pilot

Expand Program to take advantage of increased use of internet

Direct Filing and Support of Simplified Sales Tax System as Appropriate

→

→

INTERNET ACCESS TO CUSTOMER INFORMATION

Access to Individual Estimate and Payment Data

Initiate Project

Expand to Other Payment Sources; Dept Correspondence Property Tax Information, Policy Updates

→

Access to other Tax Return Information

Provide Access to Tax Return Information

→

INTERNET REGISTRATION REQUESTS

Maintain Tax Permit Registration Information

Enhance Current Capability

Extend to Include Other Taxes

→

→

Register for Electronic Funds Transfers

→

Extend to Include Other Taxes

→

INTEGRATION OF APPLICATIONS

Incorporate Sales and Related Taxes into Department's Integrated Revenue Information System

→

Incorporate Withholding Tax into Department's Integrated Revenue Information System

→

TAXPAYER ELECTRONIC COMMUNICATION

Information Push)

Implementation of List Server Technology to Serve Customers

→

Develop Interfaces between Applications and Emerging Communication Technologies

→